

Message Text

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ORIGIN MMS-03

INFO OCT-01 ARA-16 ISO-00 SCA-01 PER-05 ABF-01 TRSE-00

SS-20 SPC-03 /050 R

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R 182122Z EC 73

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS

INFO AMEMBASSY MEXICO

AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

AMEMBASSY BOGOTA

AMEMBASSY PANAMA

AMEMBASSY QUITO

AMEMBASSY GEORGETOWN

AMCONSUL PARAMARIBO

AMCONSUL CURACAO

AMEMBASSY PORT OF SPAIN

AMEMBASSY BRIDGETON

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E.O. 11652 N/A

TAGS:OGEN, CASC, VE

SUBJECT: OPRED - PROPOSAL TO EXPAND OVERSEAS STAFF OF
INTERNAL REVENUE SERVICE

1. CITING EXPANSION OF US TRADE AND INVESTMENT IN FOREIGN
COUNTRIES, INCLUDING AMERICAN OWNERSHIP AND CONTROL OF
FOREIGN CORPORATIONS, PLUS CONTINUING SUBSTANTIAL INCREASE
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IN NUMBER OF AMERICANS LIVING ABROAD, TREASURY DEPARTMENT IS REQUESTING AUTHORIZATION TO INCREASE THE NUMBER OF OVERSEAS OFFICES AND PERSONNEL OF THE INTERNAL REVENUE SERVICE.

2. BASIC PURPOSES OF PROPOSED INCREASE ARE:

(A) TO PROVIDE NEEDED TAX INFORMATION AND ASSISTANCE TO THE ROUGHLY 340,000 AMERICAN HEADS OF HOUSEHOLD RESIDING ABROAD AND APPROXIMATELY 40,000 FOREIGN CORPORATIONS CONTROLLED OR INFLUENCED BY U.S. INTERESTS WORLDWIDE.

(B) TO COVER SOME LARGE AREAS CURRENTLY RECEIVING NO COVERAGE, RAISE THE RATIO OF IRS PERSONNEL TO AMERICANS RESIDING ABROAD, AND RELATE THE STAFF SIZE OF EACH OVERSEAS OFFICE TO ITS CASELOAD.

(C) TO OVERCOME THE SERIOUS AND GROWING NON-COMPLIANCE SITUATION IN WHICH NEARLY 50 PERCENT OF AMERICAN CITIZENS ABROAD CURRENTLY FILE NO RETURNS, AND FAULTY REPORTING OF TAXABLE INCOME IS AN INCREASINGLY SERIOUS PROBLEM.

(D) TO INTENSIFY FOREIGN AUDIT, COLLECTION AND COLLATERAL INVESTIGATIONS ACTIVITIES.

(E) TO FACILITATE SETTLEMENT OF CASES INVOLVING APPLICATION OF FOREIGN TAX LAWS AND TAX TREATIES TO U.S. CITIZENS ABROAD AND, CONVERSELY, APPLICATION OF U.S. LAWS AND TAX TREATIES TO FOREIGN NATIONALS.

3. ONE ASPECT OF EXPANSION PROPOSAL CALLS FOR ESTABLISHING FIVE NEW OVERSEAS OFFICES, EACH HAVING ONE REVENUE SERVICE REPRESENTATIVE-RSR, ONE ASSISTANT RSR AND ONE AMERICAN CLERK, WITH ADJUSTMENTS IN TERRITORIAL JURISDICTIONS NOW ASSIGNED TO SEVERAL EXISTING OFFICES. PROPOSAL WOULD REDISTRICT AREA (NOW COVERED OUT OF SAO PAULO AND MEXICO CITY) INTO THREE AREA JURISDICTIONS, WITH BOTH EXISTING IRS OFFICES LOSING SOME TERRITORY TO A NEW OFFICE AT CARACAS. THIS OFFICE WOULD BE RESPONSIBLE FOR VENEZUELA, COLOMBIA, PANAMA, ECUADOR, GUYANA, FRENCH GUYANA, SURINAM, NETHERLANDS ANTILLES, TRINIDAD AND TOBAGO, BARBADOS, MARTINIQUE, AND WINDWARD AND LEEWARD ISLANDS.

4. IRS STATES THAT OPENING NEW OFFICES WOULD GO FAR TO
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OVERCOME PRESENT HANDICAP OF EXCESSIVE TIME TRAVELLING FACED BY AGENTS, PERMIT MORE THOROUGH COVERAGE OF TERRITORIES, AND APPRECIABLY REDUCE THE LOPSIDED RATIO OF TAXPAYERS TO IRS PERSONNEL OVERSEAS. SMALLER TERRITORIES WOULD PERMIT SERVICE PERSONNEL TO IMPROVE THEIR FAMILIARITY WITH THESE AREAS, INCREASE THEIR NUMBER OF USEFUL PERSONAL CONTACTS AND KNOWLEDGE OF INVESTIGATIVE LEADS, PROVIDE

MORE TIME AND BETTER BACKGROUND WITH WHICH TO INDOCTRINATE VISITING AUDIT TEAMS, AND SIGNIFICANTLY STRENGTHEN COLLECTION ACTIVITY WHICH IS NOW SERIOUSLY NEGLECTED BECAUSE OF LIMITED MANPOWER. INCREASE IN IRS OFFICES AND PERSONNEL WOULD PROMOTE SUBSTANTIALLY HIGHER LEVEL OF VOLUNTARY COMPLIANCE AND SIGNIFICANT INCREASE IN REVENUE. SHOULD ALSO ENABLE APPLICATION OF MORE IRS TIME TO LIAISON WITH FOREIGN TAX DEPARTMENTS FOR NONCOMPLIANCE PURPOSES AND TO ASSISTING U.S. TAXPAYERS IN DIFFICULTIES ARISING FROM INTERACTION OF DIFFERENT TAX SYSTEMS.

5. IRS ESTIMATES OFFICE STAFF OF THREE WOULD NEED 800-900 SQUARE FEET OF SPACE, PREFERABLY BUT NOT NECESSARILY IN EMBASSY. FURNITURE SHOULD INCLUDE A COMBINATION SAFE. ANTICIPATE MINIMAL USE OF MISSION COMMUNICATIONS. WOULD COVER ADMINISTRATIVE SUPPORT COSTS UNDER SAS. ALL IRS PERSONNEL WOULD HAVE TOP SECRET CLEARANCE .

6. ACTION REQUESTED. COMMENT* ON IRS PROPOSAL BY ACTION ADDRESSEE COM, INCLUDING ANY IMPACT ON MISSION'S ADMINISTRATIVE SUPPORT CAPABILITY, PLUS ATTITUDE OF HOST GOVERN-

MENT, TO WHICH INFORMAL APPROACH CAN BE MADE IF POST HAS NO SERIOUS RESERVATIONS ABOUT PROPOSAL. RUSH

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*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 18 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE246523
Document Source: CORE
Document Unique ID: 00
Drafter: RGMAYS,JR.
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731254/aaaajzmk.tel
Line Count: 143
Locator: TEXT ON-LINE
Office: ORIGIN MMS
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: elyme
Review Comment: n/a
Review Content Flags:
Review Date: 14 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14-Dec-2001 by williad>; APPROVED <18 MAR 2002 by elyme>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980313
Subject: OPRED - PROPOSAL TO EXPAND OVERSEAS STAFF OF INTERNAL REVENUE SERVICE
TAGS: CASC, OGEN, VE, OGEN
To: CARACAS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005